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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-93677; File No. SR-CBOE-2021-068]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Adopt a Modified Trading Schedule for Holidays

November 29, 2021

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 15, 2021, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to adopt a modified trading schedule for holidays. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt a modified trading schedule for holidays observed by the Exchange and amend and conform various rules relating to the proposed holiday trading sessions, as described more fully below. Particularly, the Exchange proposes to (i) adopt an additional Global Trading Hours ("GTH")³ trading session that would immediately precede domestic holidays and (ii) start the GTH session that immediately follows a holiday at 8:15 p.m. on the holiday⁴. The proposed holiday schedule would provide expanded access

³ The Exchange's rules provide that the Exchange may designate as eligible for trading during GTH any exclusively listed index option designated for trading under Chapter 4, Section B. If the Exchange designates a class of index options as eligible for trading during GTH, FLEX Options with the same underlying index are also deemed eligible for trading during GTH. Currently, only SPX, VIX and XSP are approved for trading during GTH. Although eligible, XSP is not currently listed for trading during GTH.

⁴ If the holiday is observed on a Friday, GTH currently begins (and will continue to begin) at 8:15 p.m. on the following Sunday.

to trade SPX and VIX options, which are designed to help enable investors to hedge or gain exposure to the broad U.S. market and global equity volatility.

By way of background, the Exchange currently offers two trading sessions.⁵ Regular Trading Hours (“RTH”) and GTH. Rule 5.1 currently sets forth the trading hours for the Exchange’s RTH and GTH trading sessions, as well as the trading schedule for holidays observed by the Exchange. Particularly, RTH for transactions in equity options (including options on individual stocks, ETFs, ETNs, and other securities) are the normal business days and hours set forth in the rules of the primary market currently trading the securities underlying the options, except for options on ETFs, ETNs, Index Portfolio Shares, Index Portfolio Receipts, and Trust Issued Receipts the Exchange designates to remain open for trading beyond 4:00 p.m.⁶ but in no case later than 4:15 p.m.⁷ RTH for transactions in index options are from 9:30 a.m. to 4:15 p.m., subject to certain exceptions.⁸

Currently, the GTH session begins at 3:00 a.m. and ends at 9:15 a.m. on Monday through Friday.⁹ Effective November 21, 2021, the GTH session will begin at 8:15 p.m. (previous day) and end at 9:15 a.m. on Monday through Friday.¹⁰ However, effective

⁵ The term “trading session” means the hours during which the Exchange is open for trading for Regular Trading Hours or Global Trading Hours (each of which may referred to as a trading session). Unless otherwise specified in the Rules or the context otherwise indicates, all Rules apply in the same manner during each trading session. See Rule 1.1 (Definitions).

⁶ All times referenced herein are Eastern Standard Time.

⁷ See Rule 5.1(b)(1).

⁸ See Rule 5.1(b)(2).

⁹ See Rule 5.1(c).

¹⁰ See also Securities Exchange Act Release No. 34-93403 (October 22, 2021), 86 FR 59824 (October 28, 2021) (SR-CBOE-2021-061). The Exchange notes that currently, [sic]

November 21, 2021, any GTH session that follows a holiday listed under Rule 5.1(d) will instead begin at 12:00 a.m. on the calendar day immediately following the day the holiday is observed and end at 9:15 a.m., unless the holiday is observed on a Friday, in which case the subsequent GTH session will begin at 8:15 p.m. (Sunday) and will end at 9:15 a.m. (Monday).¹¹ Transactions effected during the GTH session will have the same trade date as the RTH session that immediately follows it.¹²

Additionally, there are several holidays on which the Exchange is currently not open for business.¹³ For any holiday observed by the Exchange that falls on a Saturday, the Exchange is not open for business on the preceding Friday, and when any holiday observed by the Exchange falls on a Sunday, the Exchange is not open for business on the following Monday, unless unusual business conditions exist at the time. Currently, if the Exchange is not open for RTH on a day, including holidays, then it will not be open for GTH on that same day.¹⁴

The Exchange notes that it originally adopted the GTH trading session due to global demand from investors to trade SPX and VIX options, as alternatives for hedging and other

¹¹ Id.

¹² Transactions effected between 8:15 p.m. to 11:59 p.m. would be considered to have the trade date of the following business day. For example, any transactions effected during the GTH session that begins at 8:15 p.m. on Tuesday, November 23 will be considered to have the trade date of Wednesday, November 24 regardless of whether the trades were effected between 8:15 p.m. and 11:59 p.m. on Tuesday, November 23 or between 12:00 a.m. and 9:15 a.m. on Wednesday November 24.

¹³ See Rule 5.1(d). Currently, the Exchange is not open for business on: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, or Christmas Day.

¹⁴ See Cboe Rule 1.1, definition of "Business Day" and "Trading Day".

investment purposes, particularly as a complementary investment tool to VIX futures.¹⁵

Given that SPX and VIX options only traded during regular trading hours prior to the adoption of the GTH session, it was historically difficult for U.S. investors that traded in non-U.S. markets to use these products as part of their global investment strategies.

Accordingly, the Exchange adopted the GTH session to meet that demand and allow market participants to engage in trading these options (SPX and VIX) in conjunction with trading VIX futures on Cboe Futures Exchange, LLC (“CFE”) during extended hours.¹⁶ Currently, VIX futures are open for trading on CFE nearly 23 hours a day, 5 days a week.¹⁷

The Exchange also recently proposed to extend the GTH trading session in order to provide global market participants with expanded access to trade the products offered during GTH.¹⁸ In particular, the Exchange proposed to lengthen the current GTH session to help meet growing investor demand for the ability to manage risk more efficiently, react to global macroeconomic events as they are happening and adjust SPX and VIX options positions nearly around the clock. Additionally, the proposed expanded hours overlap with the Asia Pacific markets, thereby offering a new segment of global market participants the opportunity to trade GTH products in their local time. The Exchange now proposes to also adopt a modified holiday trading hours schedule to provide global market participants the ability to trade during GTH sessions that overlap with U.S. domestic holidays. Particularly, the Exchange believes this proposal allows market participants to respond to international

¹⁵ See Securities Exchange Act Release No. 34-73017 (September 8, 2014), 79 FR 54758 (September 12, 2014) (SR-CBOE-2014-062).

¹⁶ Id.

¹⁷ See CFE Rule 1202(b).

¹⁸ See Securities Exchange Act Release No. 34-73017 (September 8, 2014), 79 FR 54758 (September 12, 2014) (SR-CBOE-2014-062).

market conditions that may occur during the time the U.S. markets are closed due to a domestic holiday notwithstanding that global markets are still operating. The proposed change also further maximizes the overlap in time that SPX and VIX are open alongside the related futures contracts, as futures markets, including CFE, follow a modified holiday trading hours schedule that aligns with the Exchange's proposal.¹⁹

Trading Hours

The Exchange first proposes to amend Rule 5.1(c), which sets forth the trading hours for the GTH session. Specifically, the Exchange proposes to update Rule 5.1(c) to add a reference to the holiday hours set forth in Rule 5.1(d) (as discussed more fully below), as an exception to the otherwise codified GTH hours set forth under Rule 5.1(c). The Exchange also proposes to eliminate the language that provides that a GTH session following a holiday will begin at 12:00 a.m. (unless the holiday is observed on a Friday, in which case the GTH session begins at 8:15 p.m. on Sunday). Particularly, the Exchange proposes to allow the GTH session that immediately follows a holiday to start at the same time as GTH sessions on non-holidays (i.e., start at 8:15 p.m.).

The Exchange next proposes to amend Rule 5.1(d) to adopt modified trading schedules for domestic²⁰ and international²¹ holidays. First, the Exchange proposes to adopt Rule 5.1(d)(1), which would outline the trading hours schedule for domestic holidays and

¹⁹ For example, the Exchange notes that CFE follows a holiday schedule that includes an extended trading hours session for VIX future that begin at 6:00 p.m. on the calendar day preceding a domestic holiday through 11:30 a.m. on the holiday. See Rule 1202(b).

²⁰ Domestic holidays include Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day and Thanksgiving Day.

²¹ International holidays include Good Friday, Christmas Day and New Year's Day.

provide specifically that for Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, and Thanksgiving Day (i.e., domestic holidays), the trading day following the holiday will consist of the following three trading sessions: (i) A GTH session from 8:15 p.m. on the calendar day preceding the holiday to 11:30 a.m. on the holiday, (ii) a GTH session from 8:15 p.m. on the holiday, or if the holiday is on a Friday, on the Sunday following the holiday, to 9:15 a.m. on the trading day and (iii) a RTH session on the trading day. Proposed Rule 5.1(d)(1) would also make clear that there will continue to be no RTH session on the day a domestic holiday is observed.

The Exchange notes the proposed hours of operation for the GTH session immediately preceding a RTH session that is closed due to a domestic holiday overlaps with the hours of operation of many international markets, which do not observe U.S. domestic holidays and are therefore still open at this time. For example, markets in Asia begin trading as early as 8:00 p.m. Eastern Standard Time and many European markets close at 11:30 a.m. Eastern Standard Time. Additionally, the proposed schedule is similar to the holiday schedule followed by futures markets (which also closes at 11:30 a.m. on holidays), thereby maximizing the overlap in time that SPX and VIX are open alongside related futures contracts.²² As noted above, there will also be a GTH trading session that starts on the holiday at 8:15 p.m. (instead of 12:00 a.m. next day) and proceeds as normal until 9:15 a.m. the following trading day (for non-Friday domestic holidays). This proposed change also provides global market participants an additional opportunity to trade in their local time and when their respective market, that does not observe U.S. domestic holidays, may still be operating.

²² See, e.g., CFE Rule 1202.

As noted above, these two GTH trading sessions are not considered to occur on separate trading days and are considered part of the next trading day (i.e., both GTH sessions will have the trade date of the trading day following the holiday).²³ As an example, the holiday GTH session preceding Memorial Day will start at 8:15 p.m. on the Sunday prior to Memorial Day and end at 11:30 a.m. on Memorial Day. The market will then be closed at 11:30 a.m. on Memorial Day (Monday) (i.e., there will be no RTH session on Memorial Day). The next GTH trading session will begin at 8:15 p.m. on Memorial Day and proceed as normal until 9:15 a.m. on Tuesday, which will be followed by a normal RTH session that begins at 9:30 a.m. on Tuesday. All trading from Sunday night through Tuesday RTH market close is considered to be part of the Tuesday trading day. The following also illustrates how the holiday schedule applies for U.S. domestic holidays that are observed on a Friday. For example, if Independence Day is observed on a Friday, the trading day following the Friday holiday (Monday Trading Day) will consist of three trading sessions: (1) a GTH session open from 8:15 p.m. on the Thursday preceding Independence Day to 11:30 a.m. on Independence Day, (2) a GTH session from 8:15 p.m. on the Sunday following Independence Day to 9:15 a.m. on the following Monday and (3) a RTH session from 9:30 a.m. to 4:15 p.m. on Monday. All trading from Thursday night through Friday, and from Sunday night through Monday RTH market close is considered to be part of the Monday trading day.

²³ Pursuant to Rule 6.4 (Reporting of Trades to OCC), all transactions made on the Exchange during these sessions will continue to be submitted for clearance to the Options Clearing Corporation (“OCC”) in the same manner they are today. However, as noted, such trades will have the trade date of the trading day following the holiday.

The Exchange next proposes to adopt Rule 5.1(d)(2) which would outline the trading hours schedule for international holidays and provide specifically that for Good Friday, Christmas Day and New Year's Day (i.e., international holidays), the trading day following the holiday will consist of the following two trading sessions: (i) A GTH session from 8:15 p.m. on the holiday, or if the holiday is observed on a Friday, on the Sunday following the holiday, to 9:15 a.m. on the trading day and (ii) a RTH session on the trading day. Proposed Rule 5.1(d)(2) would also make clear that there will continue to be no RTH session on the day an international holiday is observed nor a GTH session that immediately precedes the day an international holiday is observed. The Exchange does not propose to adopt a GTH trading session that immediately precedes an international holiday, as these holidays, unlike domestic holidays, are observed not just by U.S. residents, but by many global market participants. Therefore, many international markets are also closed in observance of these international holidays. Futures markets similarly do not provide an extended trading hours session that precede certain international holidays.²⁴ Just like regular GTH trading sessions, a GTH trading session that starts on an international holiday at 8:15 p.m., will be considered part of the next trading day. The following illustrates the international holiday schedule using Good Friday as an example. Particularly, there will be no GTH session immediately preceding Good Friday (i.e., no GTH session that starts on Thursday). Rather, the market will be closed from RTH market close on the Thursday preceding Good Friday until the GTH session that starts at 8:15 p.m. on the Sunday following Good Friday. All trading from

²⁴ See e.g., CFE Rule 1202, which provides, among other things, that there will be no extended trading hours session preceding New Year's Day and Christmas Day.

Sunday night through RTH market close on the following Monday is for a trading day of Monday.²⁵

Definitions

In connection with the proposed modified holiday trading schedule, the Exchange proposes to amend the definition of “business day” and “trading day” under Rule 1.1 (Definitions). Effective November 21, 2021, “business day” and “trading day” will be defined as a day on which the Exchange is open for trading during RTH and includes the RTH session and the GTH session that immediately precedes it. Effective November 21, 2021, the definition will also provide that if the Exchange is not open for RTH on a day, then it will not be open for GTH immediately preceding what would have otherwise been the RTH session on that day. In light of the proposed modified holiday schedule for GTH discussed above, the Exchange proposes to update the definition of “business day” and “trading day”. Specifically, the Exchange proposes to eliminate the following language “[i]f the Exchange is not open for Regular Trading Hours on a day, then it will not be open for Global Trading Hours on that day” and in its place add language that clarifies that a business day or trading day that immediately follows a domestic holiday pursuant to Rule 5.1(d) includes the RTH session and the two GTH sessions that immediately precede it. The Exchange believes the proposed amendments to the definition add clarity and alleviate

²⁵ As a further example, if Christmas Day (December 25) is on a Tuesday, there will be no GTH session that begins the preceding Monday at 8:15 p.m. The Trading Day following Christmas Day would be Wednesday, December 26 and would consist of two trading sessions: (1) A GTH session from 8:15 p.m. on Christmas Day to 9:15 a.m. on Wednesday and (2) a regular RTH session from 9:30 a.m. to 4:15 p.m. on the Wednesday following Christmas Day. All trading from Tuesday at 8:15 p.m. through RTH market close on Wednesday is considered to be part of the Wednesday trading day (i.e., all transactions executed during these two sessions will have a trade date of December 26).

potential confusion in connection with the proposed changes to the trading hours on holidays.

Entry of Orders, Quotes and Cancellations

The Exchange lastly proposes to update Rule 5.7(e), which provides that after RTH market close, Users may cancel orders and quotes with Time-in-Force of Good-til-Cancelled (“GTC”)²⁶ or Good-til-Date (“GTD”)²⁷ that remain in the Book until 4:45 p.m. In light of the proposed holiday schedule for GTH sessions on domestic holidays (i.e., GTH session will end at 11:30 a.m. on a domestic holiday (observed)), the Exchange proposes to update Rule 5.7(e) to provide that on such domestic holidays, users may cancel orders and quotes with Time-in-Force of GTC or GTD until 11:45 a.m. The Exchange notes that the proposed rule change would allow Users to cancel any GTC and GTD orders until 11:45 a.m. on domestic holidays, not just orders in All Sessions classes (i.e., SPX and VIX). The Exchange believes the proposed rule change provides Users with additional flexibility to manage their orders in all classes that remain in the Book following the market close on holidays. In particular, the Exchange notes that cancelling a RTH Only GTC or GTD order at 11:30 a.m. on a domestic holiday has the same effect as cancelling that order at 7:30

²⁶ See Rule 5.6(c). The terms “Good-til-Cancelled” and “GTC” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) unless cancelled by the entering User, or until the option expires, whichever comes first. Users may not designate bulk messages as GTC.

²⁷ See Rule 5.6(c). The terms “Good-til-Date” and “GTD” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) until a date and time specified by the entering User unless cancelled by the entering User. Users may not designate bulk messages as GTD. A User may not designate a GTD order as Direct to PAR.

a.m. the following day – ultimately it accommodates the User’s goal of cancelling an order prior to it potentially executing during the RTH Opening Process the following morning.

Market-Maker Rules

Current Rule 5.50(a) (Market-Maker Appointments) provides that a Market-Maker’s selected class appointment applies to classes during all trading sessions. In other words, if a Market-Maker selects an appointment in SPX options, for example, that appointment would apply during both GTH and RTH (and thus, the Market-Maker would have an appointment to make markets in SPX during GTH and RTH). As a result, the Market-Maker continuous quoting obligations set forth in Rule 5.52(d) applies to the class for an entire trading day (including both trading sessions). Pursuant to Rule 5.52(d), a Market-Maker must enter continuous bids and offers in 60% of the series of the Market-Maker’s appointed classes, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option series, and any series with an expiration of greater than 270 days.²⁸ The Exchange calculates this requirement by taking the total number of seconds the Market-Maker disseminates quotes in each appointed class (excluding the series noted above) and dividing that time by the eligible total number of seconds each appointed class is open for trading that day. The Exchange also notes however, that pursuant to Rule 5.52(d)(2)(E), the obligations apply only when the Market-Maker is quoting in a particular class during a given trading day and the obligations are not applicable to an appointed class if a Market-Maker is not quoting in that appointed class. Accordingly, if a Market-Maker does not wish to quote during the proposed new GTH sessions (i.e., 8:15 p.m. (day prior to holiday) to 11:30 a.m. (holiday) or 8:15 p.m. (holiday) to 11:59 p.m.

²⁸ See Rule 5.52(d)(2).

holiday), then so long as the Market-Maker doesn't log in and quote during those hours, the time between 8:15 p.m. (day prior to holiday) and 11:30 a.m. (holiday) and between 8:15 p.m. and 11:59 p.m. (holiday) won't be considered when determining a Market-Maker's compliance with the quoting obligations. Accordingly, the adoption of a modified trading schedule on holidays will have a de minimis, if any, impact on a Market-Maker's continuous quoting obligations, as they may continue to choose when to actively quote and have their obligations to their appointed classes apply. Moreover, selecting an appointment in SPX or VIX options will be optional and within the discretion of a Market-Maker. Additionally, Market-Makers have the opportunity to quote during the holiday GTH trading hours (and receive the benefits of acting as a Market-Maker with respect to transactions it effects during that time) without obtaining an additional Trading Permit or creating additional connections to the Exchange. Given this ease of access to the GTH holiday trading sessions, the Exchange believes Market-Makers may be encouraged to quote during the trading session, even as amended. The Exchange believes Market-Makers will continue to have an incentive to quote during the holiday GTH sessions given the significance of the SPX and VIX within the financial markets, the expected demand, and given that the related futures also trading during those hours (which may permit execution of certain hedging strategies). The Exchange believes continuing to extend a Market-Maker's appointment to GTH notwithstanding the proposed holiday trading hours will enhance liquidity during that trading session, which benefits all investors during those hours. Therefore, the Exchange believes the proposed rule change provides customer trading interest with a net benefit and continues to maintain a balance of Market-Maker benefits and obligations.

The Exchange also does not anticipate any changes with respect to the current Lead-Market-Makers (“LMMs”) structure used today during GTH. More specifically, Rule 3.55 (LMMs) currently provides that the Exchange may approve one or more Market-Makers to act as LMMs in each class during GTH. Further, subparagraph (b) of Rule 5.55 (LMMs) provides that if a LMM is approved to act as an LMM during GTH, then the LMM must comply with the continuous quoting obligation and other obligations of Market-Makers set forth in Rule 5.52(d)(2) but does not have to comply with the obligations under Rule 5.55(a). Additionally, subparagraph (a)(2)(B)(iv) of Rule 5.32 (Order and Quote Book Processing, Display, Priority and Execution) provides that the DPM/LMM/PMM participation entitlement does not apply during GTH. LMMs appointed in the GTH holiday sessions will therefore continue to not be obligated to satisfy heightened continuous quoting and opening quoting standards during GTH, nor will they receive a benefit in exchange for satisfying an obligation (i.e., LMMs do and will not receive a participation entitlement during GTH, including during holiday trading hours). The Exchange intends to adopt via a separate rule filing an incentive program that provides appointed LMMs a rebate if they meet certain heightened continuous quoting standards during the GTH session, which includes GTH holiday sessions. The Exchange believes the such program will encourage LMMs to provide significant liquidity during GTH, including during the proposed holiday trading hours.

Discussion

The Exchange notes that the proposed rule change to adopt a modified holiday trading schedule makes no changes to the trading rules applicable to GTH. The GTH trading session, including GTH holiday sessions, will continue to be separate trading sessions from

RTH and the rules that currently apply (or don't apply) to the current GTH session will continue to apply (or not apply) to the GTH holiday session.²⁹ The Exchange will continue to use the same servers and hardware during the GTH holiday sessions as it uses for RTH and GTH today. Further, TPHs may continue to use the same ports and connections to the Exchange for all trading sessions. The Book used during the GTH holiday sessions will also be the same Book used currently during RTH and GTH. The Exchange also notes the following:

- All TPHs will continue to be allowed to, but will not be required to, participate during GTH holiday trading hours.³⁰ As noted above, while a Market-Maker's appointment to an All Sessions class will apply to that class whether it quotes in series in that class or not during holiday trading hours, the Exchange believes any additional burden related to the application of a Market-Maker's quoting obligation to the additional time added to those hours will be de minimis. The Exchange believes even if a Market-Maker elects to not quote during GTH holiday trading hours, its ability to satisfy its continuous quoting obligation will not be substantially impacted given the few classes that will be listed for trading during GTH.

²⁹ For example, business conduct rules in Chapter 8 and rules related to doing business with the public in Chapter 9 will continue to apply during the GTH holiday session. Additionally, a broker-dealer's due diligence and best execution obligations apply during the GTH holiday session. As there will still be no open outcry trading on the floor during GTH, Chapter 5, Section G will continue not to apply as such rules pertain to manual order handling and open-outcry trading.

³⁰ In order to participate in GTH, even as amended, a Trading Permit Holder ("TPH") must have a letter of guarantee from a Clearing TPH that is properly authorized by the Options Clearing Corporation ("OCC") to operate during the GTH session. See Cboe Options Rule 3.61.

- The Exchange will continue to use the same connection lines, message formats, and feeds during RTH and GTH, including GTH holiday sessions.³¹ TPHs may use the same ports and EFIDs³² for each trading session.³³ Accordingly, the Exchange expects TPHs that want to trade during the holiday trading hours to have minimal preparation.
- The same opening process will continue to be used to open GTH.
- Order processing will operate in the same manner as it does during RTH and the current GTH session. There will be no changes to the ranking, display, or allocation algorithms rules.
- There will be no changes to the processes for clearing, settlement, exercise, and expiration.³⁴
- The Exchange will report Exchange quotation and last sale information to the Options Price Reporting Authority (“OPRA”) pursuant to the Plan for Reporting of

³¹ The same telecommunications lines used by TPHs during RTH and/or GTH today may be used during GTH, even as extended, and these lines will be connected to the same application server at the Exchange during both trading sessions.

³² The term “EFID” means an Executing Firm ID. The Exchange assigns an EFID to a TPH, which the System uses to identify the TPH and the clearing number for the execution of orders and quotes submitted to the System with that EFID.

³³ A TPH may elect to have separate ports or EFIDs for each trading session, but the Exchange will not require that.

³⁴ The Exchange has held discussions with the Options Clearing Corporation, which is responsible for clearance and settlement of all listed options transactions and has informed the Exchange that it will be able to clear and settle all transactions that occur on the Exchange during the proposed holiday trading hours subject to its existing requirements for transactions executed during extended and overnight trading sessions. See Exchange Act Release No. 74268 (February 12, 2015), 80 FR 8917 (February 19, 2015) (SR-OCC-2014-024) (approval of proposed rule change concerning extended and overnight trading sessions), which applies to both index options and index future products.

Consolidated Options Last Sale Reports and Quotation Information (the “OPRA Plan”) during the proposed additional holiday hours in the same manner it currently reports this information to OPRA during RTH and GTH today.³⁵ The Exchange will also continue to disseminate an opening quote and trade price through OPRA during the proposed additional holiday trading hours (as it does for RTH and GTH today). Therefore, all TPHs that elect to trade during the proposed holiday trading hours will have access to quote and last sale information during that trading session. Exchange proprietary data feeds will also continue to be disseminated during holiday trading hours using the same formats and delivery mechanisms with which the Exchange disseminates them during RTH and GTH today. Use of these proprietary data feeds during holiday trading hours will be optional (as they are today during RTH and GTH).³⁶

- The same TPHs that are required to maintain connectivity to a backup trading facility during RTH and GTH today will be required to do so during the proposed

³⁵ The OPRA Plan provides for the collection and dissemination of last sale and quotation information on options that are trading on the participant exchanges. The OPRA Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. See Securities Exchange Act Release No. 17638 (March 18, 1981). The full text of the OPRA Plan is available at <http://www.opraplan.com>. All operating U.S. options exchanges participate in the OPRA Plan. The Exchange will report its best bid and offer and executed trades to OPRA during the proposed additional holiday trading hours in the same manner that they are reported during RTH and GTH today.

³⁶ Any fees related to receipt of the OPRA data feed during GTH would be included on the OPRA fee schedule. Any fees related to receipt of the Exchange’s proprietary data feeds during GTH will be included on the Exchange’s fee schedule (and will be included in a separate rule filing) or the Exchange’s market data website, as applicable.

holiday trading hours.³⁷ Because the same connections and servers will be used for all trading sessions, including any holiday trading hours, a TPH will not be required to take any additional action to comply with this requirement, regardless of whether the TPH chooses to trade during holiday trading hours.

- The Exchange will process all clearly erroneous trade breaks during holiday trading hours in the same manner it does during RTH and GTH today and will have Exchange officials available to do so.
- The Exchange will perform all necessary surveillance coverage during holiday trading hours.
- The Exchange may halt trading during GTH holiday sessions in the interests of a fair and orderly market in the same manner it may during RTH and GTH today pursuant to Rule 5.20. Among the factors that may be considered in making the foregoing determinations are whether there has been an activation of price limits on futures exchanges or the halt of trading in related futures with respect to index options.³⁸
- Rule 5.22 (Market-wide Trading Halts due to Extraordinary Market Volatility) will continue to not apply during GTH, including the proposed GTH holiday sessions. Under Rule 5.22, the Exchange will halt trading in all classes whenever a market-wide trading halt (commonly known as a circuit breaker) is initiated in response to extraordinary market conditions. Rule 5.22(b)(1) states that the

³⁷ See Rule 5.24.

³⁸ See Rule 5.20(a)(6). As discussed above, futures markets already follow a modified holiday trading schedule similar to what the Exchange is proposing. As such, should a halt of trading in related futures occur during the time a GTH holiday session is open, then the Exchange may consider whether to halt during that session, just as it may do during regular GTH (and RTH) sessions.

Exchange will halt trading for 15 minutes if a Level 1 or Level 2 Market Decline occurs after 9:30 a.m. and up to and including 3:25 p.m. (or 12:25 p.m. for an early scheduled close). Additionally, the Exchange will not halt trading if a Level 1 or Level 2 Market Decline occurs after 3:25 p.m. (or 12:25 p.m., if applicable). Rule 5.22(b)(2) states that the Exchange will halt trading until the next trading day if a Level 3 Market Decline occurs. The Exchange notes that Rule 5.22(b)(1) will continue not to apply during the proposed GTH holiday sessions, just as it does not apply during GTH today, as the beginning of the GTH holiday session will occur past the 15-minute halt window for a Level 1 or Level 2 Market Decline. Rule 5.22(b)(2) will also not apply to the GTH holiday session, as the GTH holiday sessions are still considered a different (i.e., the next) trading day than the preceding RTH session (even though a GTH holiday session may begin on the same calendar day as such a halt). As such, if a Level 3 Market Decline occurs at any time during the RTH session immediately preceding a holiday, the Exchange will halt trading in SPX and VIX only until the start of the GTH holiday session. The Exchange believes that it is appropriate to continue to not apply Rule 5.22(b) because, even if stock trading was halted at the close of the previous trading day, the condition that led to the halt is likely to have been resolved by the time the GTH holiday session starts given the length of time between the close of the previous trading day and the proposed start time of GTH holiday session (approximately 4 hours). Moreover, current Rule 5.20(a) continues to allow the Exchange to consider unusual conditions or circumstances when determining whether to halt trading during GTH. To the extent a circuit

breaker caused a stock market to be closed at the end of the prior trading day, the Exchange could consider, for example, whether it received notice from stock exchanges that trading was expected to resume (or not) the next trading day (after the holiday) in determining whether to halt trading during a GTH holiday session. Because the stock markets would not begin trading until after GTH opens, the Exchange believes it should be able to open a GTH holiday session rather than waiting up to a few days to see whether stock markets open to allow investors to participate in GTH if the Exchange believe such trading can occur in a fair and orderly manner based on then-existing circumstances, not circumstances that existed many hours earlier.

The Exchange understands that systems and other issues may arise and is committed to resolving those issues as quickly as possible, including during the new GTH holiday trading hours. Thus, the Exchange will have appropriate staff on-site and otherwise available as necessary during the proposed GTH holiday sessions to handle any technical and support issues that may arise during those hours. Additionally, the Exchange will have personnel available to address any trading issues that may arise during the additional GTH trading hours. The Exchange is also committed to fulfilling its obligations as a self-regulatory organization at all times, including during GTH, and will have appropriately trained, qualified regulatory staff in place during GTH holiday sessions to the extent it deems necessary to satisfy those obligations. The Exchange believes its surveillance procedures are adequate to properly monitor trading during the proposed GTH holiday sessions but notes if additional changes are needed in the future, it will revise such procedures to the extent necessary.

Implementation Date

The Exchange will announce the implementation date of the proposed rule change in accordance with Rule 1.5. The Exchange also notes that it first announced its proposal to adopt a modified GTH holiday schedule to market-participants via a Trade Desk notice earlier this year.³⁹ Since then, the Exchange has issued numerous updated notices, FAQs and detailed technical specifications.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴⁰

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴¹ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

³⁹ See Exchange Notice C2021032501 “Cboe Options Exchange Releases Technical Specifications in Support of Extended Global Trading Hours”.

⁴⁰ 15 U.S.C. 78f(b).

⁴¹ 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)⁴² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to adopt a modified holiday schedule will remove impediments to and perfect the mechanism of a free and open market and a national market system and will not significantly affect the protection of investors or the public interest. Particularly, the proposed rule change provides an enhanced investment opportunity within the options trading industry that is consistent with the continued globalization of the securities markets and closer aligns the Exchange's trading hours with extended trading hours of futures exchanges and also market hours of other geographic regions. The adoption of a modified holiday trading schedule is a competitive initiative designed to improve the Exchange's marketplace for the benefit of investors and allow the Exchange to provide a competitive marketplace for market participants to trade certain products for an additional period of time outside of RTH. More specifically, the adoption of GTH holiday sessions are designed to increase the overlap in time that SPX and VIX options are open alongside the related futures contracts and further aims to provide global market participants with expanded access to trade the products offered during GTH. As discussed above, the proposed modified holiday trading schedule is designed to better help meet growing investor demand for the ability to manage risk more efficiently, react to global macroeconomic events as they are happening and adjust SPX and VIX options positions nearly around the clock. Indeed, the proposal allows market participants operating in geographic locations that do not observe U.S. domestic holidays to respond to international market conditions that may occur

⁴² Id.

during such holidays. The proposed rule change also provides a mechanism for the Exchange to more effectively compete with exchanges located outside of the United States. Global markets have become increasingly interdependent and linked, both psychologically and through improved communications technology. This has been accompanied by an increased desire among investors to have access to U.S.-listed exchange products outside of regular trading hours, and the Exchange believes this desire extends to its exclusively listed products. Indeed, market participants in the Asia Pacific region and Europe have expressed their interest in having the ability to participate in the GTH session during their market hours, which coincide with the proposed holiday trading schedule. As described above, markets in Asia begin trading as early as 8:00 p.m. Eastern Standard Time and many European markets close at 11:30 a.m. Eastern Standard Time. Accordingly, the proposed GTH holiday session provides market participants an additional opportunity to trade in their local time when their respective market (that does not observe U.S. domestic holidays) is still operating. The Exchange therefore believes that the proposed rule change is reasonably designed to provide an appropriate mechanism for additional trading hours available outside of its current RTH and GTH sessions, while providing for appropriate Exchange oversight pursuant to the Act, trade reporting, and surveillance.

The Exchange also notes that it, along with some of its affiliated options exchanges, already allow for trading outside of the hours of RTH (i.e., during the current GTH trading session).⁴³ Furthermore, the Commission has authorized U.S. stock

⁴³ See Cboe Options Rule 5.1, C2 Rule 5.1 and Cboe EDGX Rule 21.2.

exchanges to be open for trading outside of regular trading hours.⁴⁴ Additionally, as noted above, futures exchanges also operate during the hours proposed to be adopted, including the Exchange's affiliate, CFE, which is open during the holiday hours the Exchange proposes to adopt.⁴⁵

As described in detail above, the Exchange's trading rules that apply to GTH today will continue to apply during the proposed GTH holiday trading hours, which rules have all been previously filed with the Commission as being consistent with the goals of the Act. Rules that will continue to apply during the proposed holiday trading hours include rules that protect public customers, impose best execution requirements on TPHs, and prohibit acts and practices that are inconsistent with just and equitable principles of trade as well as fraudulent and manipulative practices. The Exchange's rules will also continue to provide opportunities for price improvement during the proposed holiday trading hours and applies the same allocation and priority rules that are available to the Exchange during RTH and GTH today. The Exchange believes, therefore, that the rules that will apply during the proposed holiday trading hours will continue to promote just and equitable principles of trade and prevent fraudulent and manipulative acts.

⁴⁴ See e.g., Cboe BZX Exchange, Inc. Rule 1.5, which provides for an After Hours Trading Session which is a trading session from 4:00 p.m. – 8:00 p.m. and follows the Regular Trading Hours session which takes place between 9:30 a.m. and 4:00 p.m. See also Exchange Act Release No. 59963 (May 21, 2009), 74 FR 25787 (May 29, 2009) (SR-BATS-2009-012) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BATS Rules to Offer an After Hours Trading Session).

⁴⁵ See, e.g., CFE Rule 1202, which outlines the trading schedule for futures on the Cboe Volatility Index and includes holiday trading sessions that begin at 6:00 p.m. the day prior to a holiday and ends at 11:30 a.m. on the holiday and another extending trading hours session that begins at 6:00 p.m. on the holiday.

The proposed rule change clearly identifies the ways in which trading during the proposed holiday hours will be different from trading during current GTH (such as clarifying the trading sessions that will be considered part of the trading day following a holiday). This ensures that investors are aware of any differences relating to the proposed additional trading hours. Additionally, the Exchange notes that it will continue to require that disclosures be made to customers describing potential risks, which will continue to further protect investors from any additional risks related to trading during GTH.⁴⁶ The Exchange believes that, with these disclosures, GTH remains appropriate and beneficial. The All Sessions order⁴⁷ and RTH Only order⁴⁸ will continue to protect investors by permitting investors who wish only to trade during RTH from having orders or quotes execute outside of the RTH session, including during the proposed holiday GTH trading hours. Consistent with the goal of investor protection, the Exchange will not allow market orders during the proposed holiday GTH trading hours due to the expected increased volatility and decreased liquidity during these hours, just as it does not currently allow such orders during GTH today for the same reasons.

Additionally, the Exchange believes that the proposed rule change will foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, as the Exchange will ensure that adequate staffing is available during the proposed additional

⁴⁶ See Cboe Options Rule 9.20.

⁴⁷ An All Sessions order is an order a User designates as eligible to trade during both GTH and RTH. See Cboe Options Rule 5.6(c).

⁴⁸ An RTH Only order is an order a User designates as eligible to trade only during RTH or not designated as All Sessions. See Cboe Options Rule 5.6(c).

GTH holiday hours (as it does during current GTH hours) to provide appropriate trading support during those hours, as well as Exchange officials to make any necessary determinations under the rules during GTH (such as trading halts and trade nullification for obvious errors). The Exchange is also committed to continuing to fulfill its obligations as a self-regulatory organization at all times, including during the proposed holiday hours. The Exchange believes its surveillance procedures are adequate to properly monitor trading during the proposed holiday trading hours. Clearing and settlement processes will be the same for transactions executed during the proposed holiday GTH trading hours as they are for transactions executing during RTH or GTH trading session today.

The proposed rule change further removes impediments to a free and open market and does not unfairly discriminate among market participants, as all TPHs with access to the Exchange may trade during the proposed holiday trading hours using the same connection lines, message formats data feeds, and EFIDs they use during RTH and GTH today, minimizing any preparation efforts necessary to participate during the proposed hours. TPHs will continue not be required to trade during GTH.

Additionally, as discussed above, while the proposed rule change increases the total time during which a Market-Maker with an appointment has the ability to quote in a selected class, the Exchange believes this increase has a de minimis, if any, impact on Market-Makers given that a Market-Maker's compliance with its continuous quoting obligation is based on all classes in which it has an appointment in the aggregate and based only when a Market-Maker is quoting in its appointed classes. Indeed, as noted above, if a Market-Maker who quotes during the GTH session today does not wish to

quote during the proposed holiday GTH trading hours, then so long as such Market-Maker does not log into the system and quote during those hours (or whatever other time it wishes to begin quoting), there will be no impact with respect to the Market-Maker's ability to satisfy its continuous quoting obligations. Selecting an appointment in SPX and/or VIX options will continue to be optional and within the discretion of a Market-Maker. Additionally, Market-Makers continue to have the opportunity to quote during GTH and the proposed holiday GTH trading hours (and receive the benefits of acting as a Market-Maker with respect to transactions it effects during that time) without obtaining an additional Trading Permit or creating additional connections to the Exchange. The Exchange believes Market-Makers will have an incentive to quote in SPX and VIX during the holiday GTH trading hours given the significance of these products within the financial markets, the expected demand, and given that the related futures are also trading during those hours on holidays (which may permit execution of certain hedging strategies). The Exchange believes continuing to extend a Market-Maker's appointment to the GTH holiday trading hours will enhance liquidity during that time, which benefits all investors during those hours. The Exchange believes that any slight additional burden of extending the continuous quoting obligation to the additional hours being added in the eligible classes would be outweighed by the Exchange's efforts to add liquidity during the proposed holiday GTH trading session in All Sessions classes, the minimal preparation a Market-Maker may require to participate in the holiday GTH trading session, and the benefits to investors that may result from that liquidity. Therefore, the Exchange believes the proposed rule change provides customer trading interest with a net benefit and continues to maintain a balance of Market-Maker benefits and obligations.

The proposed rule change is also consistent with Section 11A of the Act and Regulation NMS thereunder, because it continues to provide for the dissemination of transaction and quotation information during GTH, including holiday GTH trading hours, through OPRA, pursuant to the OPRA Plan, which the Commission approved and indicated to be consistent with the Act. While Section 11A and Regulation NMS contemplate an integrated system for trading securities, they also envision competition between markets, and innovation that provides marketplace benefits to attract order flow to an exchange does not result in unfair competition if other markets are free to compete in the same manner.⁴⁹ As discussed, the Exchange, as well as other options exchanges, already offer trading sessions outside of regular trading hours.⁵⁰

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change to adopt a modified holiday trading schedule will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because all

⁴⁹ See Exchange Act Release Nos. 73704 (November 28, 2014), 79 FR 72044 (December 4, 2014) (SR-CBOE-2014-062) (approval of proposed rule change for Cboe Options to extend its trading hours outside of Regular Trading Hours); and 29237 (May 24, 1991), 46 FR 24853 (May 31, 1991) (SR-NYSE-1990-052 and SR-NYSE-1990-053) (approval of proposed rule change for NYSE to extend its trading hours outside of Regular Trading Hours). The Exchange also notes that no other U.S. options exchange provides for trading SPX or VIX options outside of RTH, so there is currently no need for intermarket linkage during GTH, including GTH holiday trading hours. If another Cboe Affiliated Exchange lists any options authorized to trade during GTH outside of RTH, trading of such options on the Exchange would comply with linkage rules.

⁵⁰ See, e.g., Cboe Options Rule 5.1, C2 Rule 5.1 and Cboe EDGX. Rule 21.2.

TPHs will be able, but not be required, to participate during the additional trading hours, and will be able to do so using the same connectivity as they use during RTH and GTH today. As discussed, participation in GTH, including the proposed modified holiday trading schedule, will be voluntary and within the discretion of TPHs. While the proposed rule change increases the total time during which a Market-Maker with either a SPX and/or VIX appointment may be able quote, the Exchange believes the proposal will have a de minimis, if any, impact on a Market-Maker's continuous quoting obligations, as they may continue to choose when to actively quote and have their obligations to their appointed classes apply. Furthermore, selecting an appointment in these options classes will be optional and within the discretion of a Market-Maker. Additionally, Market-Makers continue to have the opportunity to quote during GTH and any holiday trading hours (and receive the benefits of acting as a Market-Maker with respect to transactions it effects during that time) without obtaining an additional Trading Permit or creating additional connections to the Exchange. The Exchange believes that extending the continuous quoting obligation to the additional trading hours being added is also outweighed by the Exchange's efforts to add liquidity during the entire GTH trading session in All Sessions classes, the minimal preparation a Market-Maker may require to participate in the GTH trading session, and the benefits to investors that may result from that liquidity. Therefore, the Exchange believes the proposed rule change provides customer trading interest with a net benefit and continues to maintain a balance of Market-Maker benefits and obligations.

The Exchange does not believe that the proposed rule change to adopt a modified holiday schedule will impose any burden on intermarket competition that is not necessary

or appropriate in furtherance of the purposes of the Act, because the proposed rule change is a competitive initiative that will benefit the marketplace and investors. Additionally, all options exchanges are free to compete in the same manner. The Exchange further believes that the same level of competition among options exchanges will continue during RTH. Because the Exchange will continue to make only exclusively listed products available for trading during GTH, including GTH holiday trading hours, and because any All Sessions orders that do not trade during GTH will be eligible to trade during the RTH trading sessions in the same manner as all other orders submitted during RTH, the proposed rule change will have no effect on the national best prices or trading during RTH. The Exchange also believes the proposed rule change could further increase its competitive position outside of the United States by providing investors with an additional investment vehicle with respect to their global trading strategies during times that better correspond with parts of regular trading hours outside of the United States.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change

should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2021-068 on the subject line.

Paper Comments:

- Send paper comments in triplicate to: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2021-068. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street,

NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2021-068 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵¹

J. Matthew DeLesDernier,

Assistant Secretary.

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⁵¹ 17 CFR 200.30-3(a)(12).